

FACT SHEET

CGU and NZI Acquisition

An update

- On 2 January 2003, Insurance Australia Group completed the acquisition of the general insurance businesses of CGU in Australia and NZI in New Zealand from Aviva plc for a consideration of \$1.855 billion. The acquisition was first announced in October 2002.

Financial performance

- CGU and NZI's financial performance to 31 December 2002 has exceeded Insurance Australia Group's expectations and increased the value of the businesses acquired.
- The following table shows the key inputs to the acquisition business case which have improved since the acquisition was announced:

	Business case	Actual result 31 December 2002
Combined CGU/NZI GWP	\$2,150m	\$2,270m
Goodwill on acquisition	\$1,185m	\$1,075m
Rate on \$300m subordinated debt issue	7.55%	6.41%

Synergy benefits

- The Group has completed sufficient work post the acquisition and remains confident it will extract \$160 million (pre-tax) per annum in expense synergies from integrating the CGU and NZI businesses into the Group.
- These synergies are expected to result from a combination of underwriting and operating efficiencies, including claims management, underwriting systems and rationalisation of corporate and shared service costs.
- The synergies quoted don't include reinsurance or revenue synergies which will also flow through during the integration process.

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- The Group still expects the acquisition to be cash earnings per share (EPS) positive by 30 June 2004.

Integration update

- Detailed integration planning and early implementation is under-way. Less than two months after the acquisition was completed, the Group can report that:
 - ❖ The catastrophe reinsurance program for the Group has been placed and at levels more conservative than the aggregate cover previously held by the individual companies. No amounts were included in the \$160 million in respect of reinsurance but it is key to the continued risk management of the Group;
 - ❖ Information technology infrastructure alignment is under-way with the announcement of the restructure of the Group's out-sourcing arrangements with IBM; and
 - ❖ The senior management structure in Australia and New Zealand has been implemented and the operating model principles for Australia are being finalised.

CGU & NZI Financial Performance	
Year ending 31 December	2002
Financial results	A\$m
Gross written premium	2,267
Net premium revenue	1,906
Net claims expense	(1,186)
Underwriting expenses	(640)
Underwriting profit	80
Investment income on technical reserves	95
Insurance profit	175
Discontinued operations	(94)
Other	(25)
Profit before income tax	55
Income tax (expense)/benefit	(7)
Profit after income tax	48
Profit attributable to ordinary shareholders	48
Insurance ratios	
Loss ratio	62.2%
Expense ratio	33.6%
Combined ratio	95.8%
Insurance margin (pre-tax)	9.2%